ENERVEST
Valuing Investors

ENERVEST ENERGY AND OIL SANDS TOTAL RETURN TRUST

2006 ANNUAL REPORT

PRESIDENT'S REPORT TO UNITHOLDERS

It was a challenging year for Canadian oil and gas producers and Oil Sands businesses. Commodity prices were volatile particularly for the price of natural gas. Labour and supplier costs continued to rise and then, on October 31, 2006, the Conservative Government broke an election promise by proposing a tax on income trust distributions. All of these issues contributed to a challenging year for investors and the many businesses associated with the development of the Canadian Oil Sands. Despite these difficulties, the need to develop the Oil Sands continues as the world economy grows. The long term thesis for investing in businesses focused on developing the Oil Sands remains.

Commodity prices have a direct impact on the valuation of Oil Sands producers and gas trusts held in the portfolio of EnerVest Energy and Oil Sands Total Return Trust ("EnerVest"). During the year natural gas spot prices fluctuated between $US 4.50/mmbtu and $US 10.00/mmbtu. Oil was a little more stable ranging from $US 57.00 to $78.00 per barrel. Despite the volatility, most announced Oil Sands projects are proceeding with the long term pricing outlook for oil to remain favourable. Gas prices are important for the development of the Oil Sands as many producers use natural gas to assist in the process of extracting the oil from the sand.

The demand for increased basic infrastructure around the Oil Sands and particularly the town of Fort McMurray, labour and the escalating associated costs, persist. This highlights that the development of the Oil Sands is a long term project and patience will be required. During this development stage, EnerVest is designed to distribute a consistent 50 cents per annum cash distribution per unit. This is a real quantifiable distribution, generated by investing in businesses that are benefiting from the building of the infrastructure associated with the Oil Sands.

The October 31, 2006 announcement by the Minister of Finance to tax trust distributions starting in 2011 had an immediate impact on all trust investors and EnerVest as well. Roughly half of EnerVest was invested in income trusts either as suppliers to the developers of the Oil Sands or in gas dominated royalty trusts. Despite this setback, we continue to hold many of these trusts to benefit from their tax advantaged distributions for the next four years and have positioned the portfolio in quality trusts.

We remain committed to providing a monthly distribution while offering investors an opportunity for growth by participating in the development of the Canadian Oil Sands. The daily average trading volume for EnerVest during the year was approximately 10,600 units per day. Pursuant to EnerVest's mandatory market re-purchase program, it bought back 124,690 units on an accretive basis.

The EnerVest management team, our Board of Directors and our Investment Manager, Cypress Capital Management Ltd., thank you for the confidence and continued trust that you place in EnerVest Energy and Oil Sands Total Return Trust. If you have any questions or concerns, please do not hesitate to call your investment advisor or our investor relations department at 1-800-459-3384.

Kevin W. Wolfe
President and Chief Executive Officer
EnerVest Oil Sands Management Inc.

This annual report includes both the annual management report of fund performance, containing financial highlights, and the complete annual financial statements of the investment fund. You can get copies of either the annual management report of fund performance or the annual financial statements at your request, and at no cost, by calling toll-free 1-800-459-3384, by writing to us at EnerVest Oil Sands Management Inc., Suite 2800, 700 9th Ave. SW, Calgary, Alberta, T2P 3V4, or by visiting our website at www.enervest.com or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

INVESTMENT OBJECTIVE AND STRATEGIES

The investment objectives of EnerVest Energy and Oil Sands Total Return Trust ("EnerVest") are to maximize total return through capital appreciation in the portfolio and to provide unitholders with income from monthly cash distributions.

EnerVest, through its investment manager, will seek to achieve this objective by selecting and actively managing a diversified portfolio of securities of companies, royalty and income trusts, and similar issuers involved directly or indirectly in the development of the oil sands and by investing in traditional oil and gas royalty trusts and similar issuers. The investment manager will also invest in oil and gas issuers to assist in providing ongoing monthly cash distributions. Over time, the investment manager expects to increase the portfolio exposure to oil sands related issuers as distribution levels from such issuers increase.

RISKS

There are a number of risks associated with investing in EnerVest. The principal risks include, but are not limited to, market and income risk. Market risk is the exposure to market price changes in the securities held in the portfolio which has a direct effect on EnerVest's net asset value. Income risk is related to the operational performance of the issuers' income and thus potential for reduced capital and distributions to unitholders.

Sufficient realized gains may be required on the sale of securities in order to maintain the current monthly distribution of $0.0417 per unit. Return of capital may result if there are not sufficient realized gains.

The majority of EnerVest's portfolio consists of oil sands related issuers and oil and gas issuers which results in exposure to specialization risk, the risk of being invested in one market sector. Political conditions and general macroeconomic factors, such as fluctuations in interest rates, commodity prices and exchange rates, impact the operations and financial condition of issuers and therefore the amount of distributions paid on their securities. Commodity prices were very volatile during 2006, increasing risk in the portfolio. Though reaching a high of US$78/bbl in August, crude oil closed the year at US$60/bbl. Natural gas prices were extremely volatile during 2006 with spot gas prices ranging between US$4.50/mmbtu and US$10.00/mmbtu; storage levels reached near capacity and prices generally reflected this oversupply.

EnerVest's portfolio is predominately income trusts. On October 31, 2006, the announcement by the Federal Government proposing a tax on distributions paid by income trusts starting in 2011 increased the trust's risk of being invested in this asset class. The risk of legislative tax change was not anticipated, particularly given the Conservatives campaign promise to not tax income trusts, but it is significant. If implemented, this tax could reduce the yield on distributions received. See "Recent Developments – Income Trust Tax Announcement" for further discussion.

Diversification and active management of the portfolio by EnerVest's investment manager may reduce these risks.

RESULTS OF OPERATIONS

Ongoing political tension and instability in the Middle East, concerns of a global economic slowdown, and particularly large fluctuations in commodity prices contributed to a rather tumultuous year for the oil and gas sector. The surprise announcement of the Conservative Government's "Tax Fairness Plan" created further instability in the market. Oil and gas royalty trusts and business trusts were impacted the greatest. As a result, EnerVest's return based on its net assets was negative 15.4% for the period. Based on its market price, EnerVest's return was negative 27.5%, the result of the widening discount between the trust's market price and its net asset value. At December 31, 2006, EnerVest units traded at a 9.0% discount to its net asset value. We believe this large discount is substantially due to the Government's October 31 announcement and its negative impact on the sector and is consistent with the widening discounts experienced by other income trust investment funds in the closed-end fund market.

The S&P/TSX finished strongly again for a fifth straight year, reaching new highs in December. At year end prices, equity yields were comfortably above the current and prospective yields on cash or bonds. While earnings growth may slow this year, we are optimistic for continued increases in earnings. Smaller gains in the energy and utilities sectors contributed to the lower performance for the S&P/TSX this year compared to 2005. By comparison, financial services, consumer discretionary and industrial sectors continued their momentum into 2006. Technology and telecommunications rebounded from a poor 2005 to partially offset the performance of the energy and utilities sectors.

The economic drivers of value in the oil sands sector remain intact over the long term: peak global oil production, lack of excess capacity, few new significant discoveries, growth in demand from developing countries, and continued and escalated political instability. These factors contribute to supporting higher long-term oil prices. The Canadian oil sands are a significantly large source of oil with estimated proven recoverable reserves of 175 billion barrels and are located in one of the most politically stable countries in the world.

Portfolio

EnerVest's portfolio is segregated by asset class into Oil Sands Related Issuers, Oil and Gas Issuers, Cash, and Liabilities, net of Other Assets. At December 31, 2006, based on total net assets and net of liabilities, Oil Sands Related Issuers were 61.8% of the portfolio and Oil and Gas Issuers 35.9%. Cash accounted for 2.3% of net assets. Private companies held in the portfolio are approximately 21.0% of the portfolio.

EnerVest's portfolio was acquired gradually during the first half of 2006. Oil and gas royalty trusts were used to provide both the yield for the five percent annual distribution to unitholders, payable monthly, and offset any negative netback erosion from oil sands producers. In the third quarter, volatility in natural gas prices heavily impacted the gas-weighted oil and gas royalty trusts held in the portfolio.

EnerVest began to progressively shift out of royalty trusts and toward companies directly involved in the oil sands as opportunities presented themselves throughout 2006. Acquisitions of Athabasca Oil Sands Corp., North American Oil Sands Corp., and Western Oil Sands Inc. comprise a significant portion of the portfolio at year end, accounting for approximately 17.3%.

Financial Performance

Investment revenues totalled $2,665,910 for the period, the vast majority from distribution income of $2,627,019. Distributions from portfolio assets are currently yielding 7.0% annually. Total expenses for the period were $1,061,297, the largest being administration and service fees of $450,281 and interest of $329,653. Net investment income was $1,594,613 for the period.

Realized losses on dispositions during the period totalled $1,423,434. The portfolio had unrealized losses of $7.2 million during the period as a result of the recent decline in the trust sector, most notably on oil and gas royalty trusts. Return of capital on distributions received for the period totalled $183,308.

The decrease in net assets from operations for the period was $7.2 million, or negative $1.44 per unit. As at December 31, 2006, EnerVest's net assets totalled $37.7 million, or $7.64 per unit, after distributions of $1,670,861 were paid or payable to unitholders during the period.

One element of EnerVest's investment strategy is the use of leverage. EnerVest does not consider substantial levels of debt financing appropriate and its Declaration of Trust limits borrowing to 25% of the value of total assets after giving effect to the leverage. On May 5, 2006, EnerVest entered into a $12.5 million 364-day revolving term credit facility with the Bank of Nova Scotia. The facility is secured by a first-ranking and exclusive charge on EnerVest's portfolio. Advances under the credit facility can be made by way of prime loans, base rate Canada loans, LIBOR loans, bankers' acceptances, or any combination thereof. During the period ended December 31, 2006, advances have been made solely through bankers' acceptances. For each bankers' acceptance, the cost of borrowing equals the discount to the face value of the bankers' acceptance plus a 0.35% per annum stamping fee. EnerVest is also charged a commitment fee equal to 0.10% per annum on the unused portion of the credit facility. The maximum borrowings during the period were $12.5 million, while the minimum amount drawn was nil. As at December 31, 2006, $10.5 million was outstanding, representing 27.8% of EnerVest's net asset value or 21.6% of total assets (as defined under the credit facility).

CASH DISTRIBUTIONS

EnerVest commenced monthly distributions in May with the first distribution being paid on June 15, 2006. Monthly distributions of $0.0417 per unit were declared and paid since May, consistent with EnerVest's annual indicative distribution of 5% based on the original issue price of $10 per unit. Distributions are paid to unitholders of record as of the last trading day of the month.

RECENT DEVELOPMENTS

Income Trust Tax Announcement

On October 31, 2006, the Federal Minister of Finance proposed to apply a tax at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to the unitholders (the "October 31 Proposals"). On December 21, 2006, the Federal Minister of Finance released draft legislation to implement the October 31 Proposals pursuant to which, commencing January 1, 2011 (provided the trust only experiences "normal growth" and no "undue expansion" before then), certain distributions from the trust which would have otherwise been taxed as ordinary income generally will be characterized as dividends in addition to being subject to tax at corporate rates at the trust level. Assuming the October 31 Proposals are ultimately enacted in their form, the implementation of such legislation could result in adverse tax consequences to the trust and certain Unitholders (including most Unitholders that are tax deferred or non-residents of Canada). It is not known at this time when the October 31 Proposals will be enacted by Parliament, if at all, or whether the October 31 Proposals will be enacted in the form currently proposed.

The surprise announcement had an immediate negative reaction on the income trust sector with some trusts declining ten to twenty five percent of their previously traded price. This had a direct and considerable impact on the portfolio as virtually all income trusts, other than certain excluded real estate investment trusts, were affected. Business trusts and oil and gas royalty trusts were hit particularly hard. Fortunately, despite the negative implications of the October 31 Proposals there are still positive catalysts for the income trust sector which include low interest rates, low core inflation, healthy fundamentals and an increased appetite for yield products.

Market Activity

The volatile commodity price environment and dramatic drop in equity markets following the Federal Government's October 31, 2006 announcement of its intention to tax income trusts in 2011 has indirectly impacted the junior oil and gas companies. Consequently, the energy sector is poised for increased takeover activity as a result of a valuation gap between senior and junior exploration and producing companies and royalty trusts. Smaller capitalized oil and gas companies are currently trading below recent multiples, thereby positioning the larger capitalized companies to acquire assets on an accretive basis given their lower cost of capital and limited competition. The acquisition of existing oil sands properties is highly competitive since new oil sands projects are costly and require between US$35 to US$45 per barrel of oil to be at least marginally profitable. High costs, long lead times and more stringent regulations indicate that consolidation will continue, with assets going from smaller companies to larger companies who are either better able to handle or have already passed these barriers to entry.

Investment Fund Governance Legislation

During 2006, Canadian securities regulators passed legislation requiring independent oversight over the management of Canadian investment funds. National Instrument 81-107 Independent Review Committee for Investment Funds ("NI 81-107") came into effect on November 1, 2006. Under NI 81-107, an Independent Review Committee ("IRC") is required to be established by May 1, 2007. The main responsibility of the IRC is to govern over perceived conflicts of interest between investment funds, their managers and related third parties. Policies and procedures are to be adopted no later than November 1, 2007 and investment funds must be in full compliance of NI 81-107 at that time. EnerVest has made significant strides in the formation of its IRC and will meet each implementation date requirement.

New CICA Financial Instrument Standards

The Canadian Institute of Chartered Accountants has recently issued new financial reporting standards for the accounting and disclosure of financial instruments. Of importance to investment funds are new definitions and requirements for determining the fair value of financial instruments, particularly investments. Since current securities regulations require that investment funds calculate Net Asset Value Per Share ("NAVPS") in accordance with Generally Accepted Accounting Principles ("GAAP"), these new standards impact the way in which net asset value is determined. For securities quoted on an open market, the new standards require the use of bid prices as opposed to the closing prices currently used. Bid prices are normally less than closing prices which will result in lower net asset values. Under the old rules, transaction costs such as broker fees could be added to the cost base of investments purchased and deducted from the proceeds of investments sold. The new rules require that these costs be expensed. Though this does not affect the overall net asset value, it will increase expenses and the management expense ratio. These new standards are effective for fiscal years beginning on or after October 1, 2006, therefore effective January 1, 2007 for EnerVest. Largely in order to avoid arbitrage opportunities, securities regulators have granted relief from the requirement to calculate NAVPS in accordance with GAAP, allowing them and investment fund managers the opportunity to further study the issue. This relief is in effect until the earlier of September 30, 2007 and the date on which legislation with respect to calculating net asset value for purposes other than financial statements is changed. Until that time, EnerVest intends to calculate NAVPS under the old method, specifically using closing rather than bid prices, for all purposes other than financial statements. The 2007 interim financial statements will be presented in accordance with the new rules.

RELATED PARTY TRANSACTIONS

Pursuant to an administrative services agreement, the Administrator is paid an annual administration fee equal to 1.1% per annum of EnerVest's average net asset value for the provision of management, investment and administrative services, plus applicable taxes, payable monthly. In addition to the administration fee, EnerVest is charged a service fee equal to 0.4% per annum of its net asset value paid to investment dealers for clients that hold EnerVest units. This service fee is paid to the Administrator and the Administrator is responsible for the payment of such to investment dealers on a quarterly basis. Administration and service fees totalled $450,281 for the period and were recorded at fair value.

The Administrator is also reimbursed for all expenses that relate to the operation of EnerVest.

The Administrator is responsible for all fees paid to the investment manager.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about EnerVest and are intended to help you understand EnerVest's financial performance since inception. This information is derived from EnerVest's audited annual financial statements.

EnerVest's Net Asset Value ("NAV") per Unit

	2006(1)
Net asset value, beginning of period	**$10.00**
Increase (decrease) from operations:	
Total revenue	0.53
Total expenses	(0.21)
Realized losses for period	(0.28)
Unrealized losses for period	(1.44)
Return of capital	(0.04)
Total decrease from operations (2):	**(1.44)**
Distributions:	
From net investment income	(0.31)
Return of capital	(0.02)
Total distributions (3)	**(0.33)**
Net asset value, at December 31	**$7.64**

(1) Results are for the period from April 13, 2006 to December 31, 2006.

(2) Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash, reinvested in additional units of EnerVest, or both.

(4) This schedule is not a reconciliation of NAV since it does not reflect all of the unitholder transactions as shown on the Statement of Changes in Net Assets and may therefore not add.

Ratios and Supplemental Data

	2006
Net assets [1]	37,714,203
Number of units outstanding [1]	4,934,828
Management expense ratio ("MER") excluding issue costs and interest [2]	2.43%
MER including issue costs and interest [2]	10.75%
Portfolio turnover rate [3]	26.79%
Trading expense ratio [4]	0.47%
Closing market price	$6.95

(1) This information is provided as at December 31, 2006.

(2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The MER has been presented excluding and including the cost of issuance of EnerVest units and interest expense on the credit facility.

(3) EnerVest's portfolio turnover rate indicates how actively EnerVest's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to EnerVest buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

ADMINISTRATION FEES

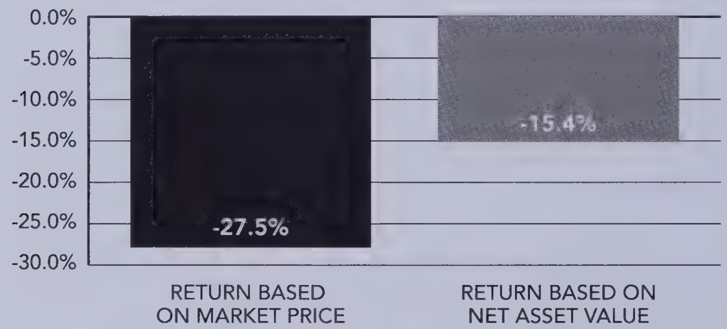
Pursuant to an administrative services agreement, the Administrator is paid an annual administration fee equal to 1.1% per annum of EnerVest's average net asset value for the provision of management, investment and administrative services, plus applicable taxes, payable monthly. In addition to the administration fee, EnerVest is charged a service fee equal to 0.4% per annum of its net asset value paid to investment dealers for clients that hold EnerVest units. This service fee is paid to the Administrator and the Administrator is responsible for the payment of such to investment dealers on a quarterly basis.

PAST PERFORMANCE

The performance data provided assumes that all distributions made by EnerVest in the periods shown were reinvested in additional units of EnerVest and does not take into account sales, distribution or other optional charges that would have reduced returns or performance. Past performance does not necessarily indicate how EnerVest will perform in the future.

Year-by-Year Returns

The bar chart below shows EnerVest's performance from April 13, 2006 to December 31, 2006 based on market value (from the April 13 opening TSX price of $10 per unit) and net asset value per unit (from the initial $10 NAV per unit less issue costs). This bar chart shows in percentage terms how much an investment made on April 13, 2006 would have decreased by December 31, 2006.



2006 Returns

The below table shows the total return for the period from April 13, 2006 to December 31, 2006 of EnerVest based on market price and net asset value and compared to the S&P/TSX Capped Energy Trust and Capped Energy Indices.

	EnerVest		S&P/TSX	
	Based on Market Price	Based on Net Asset Value	Capped Energy Trust Index (1)	Capped Energy Index(2)
Return from April 13 to December 31, 2006	(27.5)%	(15.4)%	(13.4)%	(8.4)%

(1) The S&P/TSX Capped Energy Trust Index, a subset of the S&P/TSX Income Trust Index, is composed of income trusts whose primary business is related to the exploration, extraction or production of natural resources.

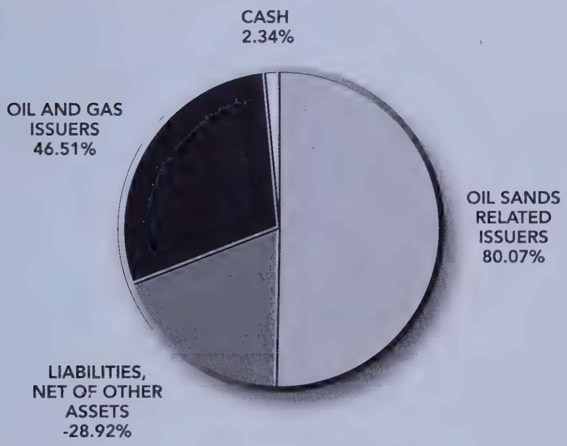
(2) The S&P/TSX Capped Energy Index is composed of firms whose primary business is related to the exploration, extraction or production of natural resources.

The S&P/TSX Capped Energy Trust and Capped Energy Indices had negative returns of 13.4% and 8.4%, respectively, for the period from April 13, 2006 to December 31, 2006. Ongoing tension in the Middle East, fluctuating commodity prices in the oil and gas industry, concerns of an economic slowdown, and, most importantly, the surprise announcement of the Conservative Government's "Tax Fairness Plan" created instability in the oil and gas sector. Oil and gas royalty trusts were the hardest to be hit and were the major contributing factor to the downturn in the sector which accounts for the variance in the two indices.

EnerVest's portfolio is predominately oil sands related. There is no known index with a similar portfolio composition mix to which our performance can be easily compared. EnerVest's portfolio consists mainly of royalty trusts making it most comparable to the S&P/TSX Capped Energy Trust. Compared to this index, EnerVest's return based on its net assets of negative 15.4% is marginally less. Based on its market price, EnerVest's return was negative 27.5%, the result of the widening discount between the trust's market price and its net asset value. At December 31, 2006, EnerVest units traded at a 9.0% discount to its net asset value. We believe this large discount is substantially due to the Government's October 31 announcement and its negative impact on the sector and is consistent with the widening discounts experienced by other income trust investment funds in the closed-end fund market.

SUMMARY OF INVESTMENT PORTFOLIO

Portfolio Breakdown



Top 25 Holdings

Issuer Name	% of Net Assets
Athabasca Oil Sands Corp.	6.20%
Daylight Resources Trust	5.84%
Western Oil Sands Inc.	5.55%
Progress Energy Trust	5.00%
OPTI Canada Inc.	4.72%
Canadian Oil Sands Trust	4.50%
Canadian Natural Resources Limited	4.45%
Penn West Energy Trust	4.43%
Baytex Energy Trust	4.43%
Fort Chicago Energy Partners L.P.	4.41%
Bonavista Energy Trust	4.11%
Trilogy Energy Trust	3.93%
Enerplus Resources Fund	3.76%
Nexen Inc.	3.74%
Fairborne Energy Trust	3.74%
Eveready Income Fund	3.68%
Black Diamond Income Fund	3.37%
Royal Utilities Income Fund	3.31%
Crescent Point Energy Trust	3.27%
Range Royalty Limited Partnership	3.16%
Paramount Resources Ltd.	2.93%
Athabasca Oil Sands Corp., Warrants	2.82%
North American Oil Sands Corp.	2.68%
Deepwell Energy Services Trust	2.59%
EnCana Corp.	2.56%

The summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund. A quarterly update is available on our website at www.enervest.com or can be requested by calling 1-800-459-3384 or writing to EnerVest Oil Sands Management Inc., Suite 2800, 700 9th Avenue SW, Calgary, Alberta, T2P 3V4.

Forward Looking Statements

This document contains certain forward looking statements that involve substantial known and unknown risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions in Canada and the United States, industry conditions, changes in laws and regulations, including the Canadian Income Tax Act, fluctuations in interest rates, commodity prices and foreign exchange, stock market volatility, and market valuations of income and royalty trusts. Our actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurances can be given that any of the events anticipated by these forward looking statements will transpire or occur, or if any of them do, what benefits, including the amount of proceeds, will be derived therefrom.

MANAGEMENT'S RESPONSIBILITY STATEMENT

The financial statements of **EnerVest Energy and Oil Sands Total Return Trust** ("EnerVest") were prepared by, and are the responsibility of, the management of EnerVest Oil Sands Management Inc. (the "Administrator") as agreed in the administrative services agreement between the Administrator and EnerVest. These statements have been prepared in accordance with Canadian generally accepted accounting principles.

The Administrator has designed and maintains a system of internal controls to safeguard assets and to ensure that transactions are properly authorized and recorded. Where estimates are used, the Administrator has ensured that careful judgment has been made and that these estimates are reasonable based on all information known at the time the estimate is made. Procedures are in place to ensure the reporting of reliable and timely information to its unitholders.

The Board of Directors of the Administrator is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the audit committee, which is comprised solely of independent directors of the Board.

The audit committee, on behalf of the Administrator and its Board of Directors, has engaged PricewaterhouseCoopers LLP to examine the financial statements of EnerVest. PricewaterhouseCoopers LLP have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their independent opinion on the financial statements. The auditors have full and unrestricted access to the audit committee, with or without the presence of management, in order to discuss their audit and related findings.

Kevin W. Wolfe
President and Chief Executive Officer
EnerVest Oil Sands Management Inc.
March 19, 2007

Sean J. H. Morgan
Chief Financial Officer
EnerVest Oil Sands Management Inc.

AUDITORS' REPORT

To the Unitholders of EnerVest Energy and Oil Sands Total Return Trust

We have audited the statements of net assets and investment portfolio of **EnerVest Energy and Oil Sands Total Return Trust** ("EnerVest") as at December 31, 2006 and the statements of operations, changes in net assets, and cash flows for the period from inception on February 22, 2006 to December 31, 2006. These financial statements are the responsibility of EnerVest Oil Sands Management Inc., the Administrator of EnerVest. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material aspects, the financial position and investment portfolio of EnerVest as at December 31, 2006, and the results of its operations, changes in net assets, and cash flows for the period from inception on February 22, 2006 to December 31, 2006 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
March 19, 2007
Calgary, Alberta

STATEMENT OF NET ASSETS
December 31, 2006

	$
ASSETS (Note 6)	
Investments	47,741,024
Cash	881,665
Distributions receivable	303,906
Prepaid assets	72,515
	48,999,110
LIABILITIES	
Credit facility (Note 6)	10,500,000
Liability for purchase of portfolio assets	499,800
Distributions payable (Note 3)	205,782
Accounts payable to the Administrator (Note 4)	79,325
	11,284,907
NET ASSETS	37,714,203
UNITS ISSUED AND OUTSTANDING (Note 5)	4,934,828
NET ASSET VALUE PER UNIT	$7.64

Approved by the Board of EnerVest Oil Sands Management Inc., as Administrator

Director

Director

STATEMENT OF OPERATIONS

For the Period from Inception on February 22, 2006 to December 31, 2006

	$
INVESTMENT REVENUES	
Distribution income	2,627,019
Interest income	28,891
	2,655,910
EXPENSES	
Administration and service fees (Note 4)	450,281
Interest on credit facility (Note 6)	329,653
General and administrative (Note 4)	73,259
Directors' fees	61,834
Goods and services tax	38,730
Trustees' fees	38,354
Audit fees	26,442
Securityholder reporting costs	25,121
Legal fees	11,592
Custodial fees	6,031
	1,061,297
NET INVESTMENT INCOME	1,594,613
LOSS ON INVESTMENTS	
Net realized loss on sale of portfolio assets	(1,423,435)
Net change in unrealized portfolio losses	(7,231,006)
Return of capital	(183,308)
	(8,837,749)
DECREASE IN NET ASSETS FROM OPERATIONS	(7,243,136)
WEIGHTED AVERAGE UNITS OUTSTANDING	5,019,168
DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT	($1.44)

STATEMENT OF CHANGES IN NET ASSETS

For the Period from Inception on February 22, 2006 to December 31, 2006

	$
NET ASSETS, BEGINNING OF PERIOD	-
DECREASE IN NET ASSETS FROM OPERATIONS	(7,243,136)
UNITHOLDER TRANSACTIONS	
Net proceeds on issuance of units (Note 5)	47,569,187
Amounts paid for repurchase of units (Note 5)	(940,987)
Distributions to unitholders (Note 3)	
- from net investment income	(1,594,613)
- from return of capital	(76,248)
	44,957,339
NET ASSETS, END OF PERIOD	37,714,203

STATEMENT OF CASH FLOWS
For the Period from Inception on February 22, 2006 to December 31, 2006

	$
CASH FLOW FROM OPERATING ACTIVITIES	
Net investment income	1,594,613
Proceeds on disposition of portfolio assets	14,009,139
Purchase of portfolio assets	(70,587,912)
Net change in non-cash working capital items	202,704
	(54,781,456)
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds on issuance of units (Note 5)	50,595,180
Compensation paid on issuance of units (Note 5)	(3,025,993)
Repurchase of units (Note 5)	(940,987)
Drawings on credit facility (Note 6)	12,500,000
Repayments on credit facility (Note 6)	(2,000,000)
Distributions to unitholders (Note 3)	(1,465,079)
	55,663,121
NET INCREASE IN CASH	881,665
CASH, BEGINNING OF PERIOD	-
CASH, END OF PERIOD	881,665
SUPPLEMENTARY INFORMATION	
Interest paid	402,168

STATEMENT OF INVESTMENT PORTFOLIO
December 31, 2006

	Units / Shares	Average Cost $	Market Value $	% of Net Assets
OIL SANDS RELATED ISSUERS (80.07%)				
ENERGY				
Athabasca Oil Sands Corp.*	935,000	858,500	2,337,500	6.20%
Athabasca Oil Sands Corp.* Warrants	850,000	-	1,062,500	2.82%
Canadian Natural Resources Limited	27,000	1,819,806	1,678,050	4.45%
Canadian Oil Sands Trust	52,000	1,775,265	1,695,720	4.50%
Cross Oil Sands Contracting Ltd.*	142,800	499,800	499,800	1.32%
EnCana Corporation	18,000	997,285	965,880	2.56%
Nexen Inc.	22,000	1,431,738	1,412,400	3.74%
North American Oil Sands Corp.*, Class A	75,000	900,000	1,012,500	2.68%
Oil Sands Underground Mining Corp.*	166,700	500,100	500,100	1.33%
OPTI Canada Inc.	90,000	1,992,356	1,780,200	4.72%
Paramount Resources Ltd., Class A	46,000	1,983,836	1,104,000	2.93%
Petrobank Energy & Resources Ltd.	47,000	670,776	832,840	2.21%
Petro-Canada	15,000	802,350	716,250	1.90%
Suncor Energy Inc.	8,000	754,263	734,320	1.95%
UTS Energy Corporation	100,000	753,910	451,000	1.19%
Western Oil Sands Inc., Class A	64,000	2,003,164	2,093,440	5.55%
		17,743,149	**18,876,500**	**50.05%**
Energy Equipment and Services				
Deepwell Energy Services Trust	132,300	1,324,269	979,020	2.59%
Empire Industries Ltd.	1,000,000	450,000	430,000	1.14%
Engineered Drilling Solutions Inc.*	200,000	400,000	400,000	1.06%
Flint Energy Services Ltd.	20,000	580,000	595,000	1.58%
North West Upgrading Inc.*	225,000	900,000	900,000	2.39%
North West Upgrading Inc.* Warrants	112,500	-	-	0.00%
Pure Energy Services Ltd.	26,000	651,300	348,400	0.92%
		4,305,569	**3,652,420**	**9.68%**
Industrials				
Black Diamond Income Fund	165,000	1,650,000	1,270,500	3.37%
Drive Products Income Fund	75,000	745,642	573,750	1.52%
Eveready Income Fund	218,500	1,642,769	1,387,475	3.68%
Finning International Inc.	10,000	393,500	477,900	1.27%
Torr Canada Inc.	242,400	399,960	193,920	0.51%
Wajax Income Fund	25,000	1,031,138	856,250	2.27%
		5,863,009	**4,759,795**	**12.62%**
Utilities				
Fort Chicago Energy Partners L.P., Class A	145,000	1,699,859	1,663,150	4.41%
		1,699,859	**1,663,150**	**4.41%**
Materials				
Royal Utilities Income Fund	110,000	1,110,877	1,248,500	3.31%
		1,110,877	**1,248,500**	**3.31%**

STATEMENT OF INVESTMENT PORTFOLIO - CONTINUED
December 31, 2006

	Units / Shares	Average Cost $	Market Value $	% of Net Assets
OIL & GAS ISSUERS (46.51%)				
ENERGY				
Baytex Energy Trust	75,000	1,628,373	1,671,000	4.43%
Bonavista Energy Trust	55,000	1,959,585	1,548,250	4.11%
Crescent Point Energy Trust	70,000	1,550,740	1,232,000	3.27%
Daylight Resources Trust	215,850	4,264,368	2,203,829	5.84%
Enerplus Resources Fund	28,000	1,654,772	1,419,040	3.76%
Fairborne Energy Trust	135,000	2,028,136	1,410,750	3.74%
Focus Energy Trust	50,000	1,259,961	909,000	2.41%
Penn West Energy Trust	47,000	1,995,437	1,671,790	4.43%
Progress Energy Trust	150,000	2,567,084	1,885,500	5.00%
Range Royalty Limited Partnership*, Cl B Ser 1	85,000	1,496,000	1,190,000	3.16%
Shiningbank Energy Income Fund	50,000	889,575	642,500	1.70%
Trilogy Energy Trust	130,000	2,580,752	1,482,000	3.93%
Vault Energy Trust	50,000	374,784	275,000	0.73%
		24,249,567	**17,540,659**	**46.51%**
TOTAL INVESTMENT PORTFOLIO		**54,972,030**	**47,741,024**	**126.58%**
CASH			**881,665**	**2.34%**
LIABILITIES, NET OF OTHER ASSETS			**(10,908,486)**	**(28.92%)**
NET ASSET VALUE			**37,714,203**	**100.00%**

** Indicates private company.*

1. ORGANIZATION OF THE TRUST

EnerVest Energy and Oil Sands Total Return Trust ("EnerVest") is a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated February 22, 2006. EnerVest Oil Sands Management Inc. (the "Administrator"), a corporation incorporated under the laws of the Province of Alberta, is the administrator of EnerVest. Computershare Trust Company of Canada is the trustee. The investment manager is Cypress Capital Management Ltd. (the "Investment Manager"). EnerVest was listed on the Toronto Stock Exchange and commenced operations on April 13, 2006. The investment objectives of EnerVest are to maximize total return through capital appreciation in the portfolio by investing in oil sands related issuers and oil and gas issuers, and to maximize monthly distributions relative to risk.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies.

Cash
Cash is comprised of cash on hand.

Valuation of investments
Investments are valued at the closing price each day on the recognized stock exchange on which the investments are listed or principally traded. Investments not traded on the valuation date are valued at the average of the closing bid and ask prices. Investments in private companies are valued at estimated fair value which is determined based on a private company valuation policy derived by management whereby the most recent price that the investment was offered for sale in the market or the most recent net asset value calculation is used to determine the current fair value or, in the absence of the foregoing, a fair value determination based on an analysis of valuation changes of public corporations operating in the same industry and of similar size and scope of operations.

Investment transactions and income recognition
Investment transactions are accounted for as of the trade date and any realized or unrealized gains and losses from such transactions are calculated on an average cost basis. Distribution income is recorded on the ex-distribution date and interest income is accrued as earned.

Return of capital
Distributions from investments that are treated as a return of capital for income tax purposes are separately identified on the Statement of Operations and reduce the average cost of the underlying investments on the Statement of Investment Portfolio.

Income taxes
EnerVest qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and is therefore subject to tax on any net income (as calculated for tax purposes) and net realized capital gains which is not paid or payable to unitholders during the year. It is the intention of EnerVest to distribute all of its net income (as calculated for tax purposes) and sufficient net realized capital gains so that it will not be subject to income taxes, other than applicable foreign withholding taxes.

Financial instruments

Financial instruments include portfolio investments which are carried at market value. The carrying amount of all other financial instruments, including, but not limited to, distributions receivable, prepaid assets, credit facility, liability for purchase of portfolio assets, accounts payable to the Administrator, and distributions payable, approximates fair value due to the short-term maturity of these instruments.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. In particular, the valuation of private companies requires a significant use of estimates.

3. DISTRIBUTIONS TO UNITHOLDERS

Distributions, as declared by the Administrator, are made on a monthly basis to unitholders of record on the last trading day of each month, payable no later than the fifteenth day of the following month. Pursuant to its Declaration of Trust, EnerVest is required to distribute all of its net income (as calculated for tax purposes) and net realized capital gains. EnerVest is required to distribute deficiencies, if any, between the monthly distributions paid or payable during the year and the total of its net income (as calculated for tax purposes) and net realized capital gains for the year then ended, payable on December 31 of each year. Distributions paid or payable in excess of the net income (as calculated for tax purposes) and realized capital gains of EnerVest represent a return of capital to unitholders.

Pursuant to its distribution reinvestment plan ("DRIP") unitholders may elect to reinvest monthly distributions in additional units of EnerVest which may be issued from treasury or purchased in the open market.

4. ADMINISTRATION AND SERVICE FEES

Pursuant to an administrative services agreement, the Administrator is paid an annual administration fee equal to 1.1% per annum of EnerVest's average net asset value for the provision of management, investment and administrative services, plus applicable taxes, calculated and payable monthly. In addition to the administration fee, EnerVest is charged a service fee equal to 0.4% per annum of its net asset value paid to investment dealers for clients that hold EnerVest units. This service fee is paid to the Administrator and the Administrator is responsible for the payment of such to investment dealers on a quarterly basis. Administration and service fees totaled $450,281 for the period and were recorded at fair value. The Administrator is responsible for all fees paid to the Investment Manager.

The Administrator is also reimbursed for all expenses that relate to the operation of EnerVest.

5. TRUST UNITS

The authorized capital of EnerVest consists of an unlimited number of transferable, redeemable EnerVest units. Each unit represents an equal, fractional, undivided interest in EnerVest's net assets. All units are of the same class with equal rights, privileges and obligations, with each unit being entitled to one vote and equal participation in any distributions made by EnerVest. During 2006, units were issued as follows:

	2006	
	Number of Units	**Amount $**
Units, beginning of year	-	-
Initial public offering, net of issue costs	**5,000,000**	**47,003,761**
Over-allotment option, net of issue costs	**59,518**	**565,426**
	5,059,518	**47,569,187**
Unit repurchases	**(124,690)**	**(940,987)**
Units, end of year	**4,934,828**	**46,628,200**

EnerVest utilizes a mandatory repurchase program whereby it repurchases for cancellation its units when they are trading at a discount that is greater than 5.0% to the Net Asset Value per unit of EnerVest. This program obligates EnerVest to buy back up to 5.0% of its outstanding units in a year at a rate of up to 1.25% per quarter based on the number of units outstanding at the beginning of that quarter. Through this program, EnerVest purchased 124,690 units in the open market for cancellation in 2006 at a net cost of $940,987.

6. CREDIT FACILITY

On May 5, 2006, EnerVest entered into a $12.5 million 364-day revolving term credit facility with the Bank of Nova Scotia. The facility is secured by a first-ranking and exclusive charge on EnerVest's investment portfolio. Advances under the credit facility can be made by way of prime loans, base rate Canada loans, LIBOR loans, bankers' acceptances, or any combination thereof. During the period ended December 31, 2006, advances have been made solely through bankers' acceptances. For each bankers' acceptance, the cost of borrowing equals the discount to the face value of the bankers' acceptance plus a 0.35% per annum stamping fee. Under the facility, EnerVest is also charged a commitment fee equal to 0.10% per annum on the unused portion of the credit facility.

The maximum borrowings during the period ended December 31, 2006 were $12.5 million and the minimum amount drawn was nil. As at December 31, 2006, $10.5 million was outstanding, representing 27.8% of EnerVest's net asset value or 21.6% of total assets (as defined under the credit facility). Such borrowing is limited to 25% of the value of total assets after giving effect to the leverage.

7. BROKERAGE COMMISSIONS

During 2006, EnerVest paid brokerage commissions of $141,132 in relation to the purchase and disposition of portfolio assets.

TRUST INFORMATION

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